

SOO TOWNSHIP, CHIPPEWA COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

Township Board
Soo Township
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities and the major fund of Soo Township as of and for the year ended June 30, 2008, as listed in the Table of Contents. These basic financial statements are the responsibility of Soo Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and major fund of Soo Township as of June 30, 2008, and the respective changes in financial position where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-6 and the budgetary comparisons on pages 28-29 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gillett, Halvorsen & Leonhardt, PC
Certified Public Accountants

December 19, 2008
Sault Ste. Marie, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

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Within this section of Soo Township's annual financial report, the Township's management provides a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008. Soo Township's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government, unless otherwise noted.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information of the Township's overall status. Financial reporting on this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall economic health of the Township would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Township infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of this Statement of Activities is to show financial reliance of the Township's distinct activities or functions on revenues provided to the Township.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

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FUND FINANCIAL STATEMENTS

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. The statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. These are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is included in the basic financial statements for the general fund. This statement demonstrates compliance with the Township's adopted and final revised budget.

Fiduciary funds such as the Pension Trust Fund and the Tax Collection Fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which follows the notes to the financial statements.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

TOWNSHIP AS A WHOLE

The Township's assets exceed its liabilities by \$1,006,030 for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets of \$272,267 include land, property and equipment.
- (2) Net assets of \$22,626 are restricted by constraints imposed from outside the Township such as grantors, laws or regulations.
- (3) Unrestricted net assets of \$711,137 represent the portion available to maintain the Township's continuing obligations.

The Township's governmental funds reported total ending fund balance of \$733,763 this year. This compares to the prior year ending fund balance of \$669,801 showing a increase of \$63,962 during the current year. This represents an increase of approximately 10%.

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities	
	2008	2007
Current assets	\$ 748,250	\$ 682,045
Non-current assets	272,267	319,828
Total Assets	\$1,020,517	\$1,001,873
Current Liabilities	\$ 14,487	\$ 12,244
Net Assets		
Invested in capital assets	\$ 272,267	\$ 318,913
Invested in deposits	-0-	915
Restricted	22,626	18,079
Unrestricted	711,137	651,722
Total Net Assets	\$1,006,030	\$ 989,629

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

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THE TOWNSHIP AS A WHOLE (CONTINUED)

The following table shows the changes in the net assets as of the current date to the prior year:

	Governmental Activities	
	2008	2007
Program Revenues		
Charges for services	\$ 15,613	\$ 8,684
Operating grants and contributions	63,583	39,828
Capital grants and contributions	-0-	-0-
General Revenues		
Taxes	175,285	162,672
Licenses and permits	200	400
State shared revenues	181,539	181,821
Fines and forfeits	-0-	200
Interest income	29,174	27,584
Other revenues	800	2,529
Total Revenues	\$466,194	\$423,718
Program Expenses		
General government	\$114,978	\$104,929
Public safety	141,832	125,277
Public works	151,991	134,904
Cultural and recreation	300	300
Other expenditures	40,693	39,114
Total Expenses	\$449,794	\$404,524
Change in Net Assets	\$ 16,400	\$ 19,194

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an ending fund balance of \$733,763. Of this year end total, \$711,137 is unreserved indicating availability for continuing Township activities. Reserved fund balances consists of \$20,666 committed to public works and \$1,960 to public safety.

SOO TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2008

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FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)

The general fund pays for all the Township's governmental services. The most significant are public safety and public works which included expenses of \$241,396 for the year ended June 30, 2008. These services were largely supported by property taxes and state shared revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Township Board amended the budget to take into account events during the year. The Township's actual expenditures exceeded the total corresponding budgeted expenditures in one activity by \$5,386 for the year ended June 30, 2008, primarily as a result of exceeding the budget expenditure for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2008, the Township had \$272,267 invested in a broad range of capital assets net of accumulated depreciation, including buildings and fire equipment. In addition, the Township has invested significantly in roads within the Township. The roads are not reported in the Township's financial statements because Michigan law makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of 5% or inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow by less than inflation, before considering new property additions. Also, Township State Revenue sharing continues to be reduced.

CONTACTING THE TOWNSHIP'S MANAGEMENT

The financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: 639 W. 3 1/2 Mile Road, Sault Ste. Marie, MI 49783 or (906) 632-3406.

BASIC FINANCIAL STATEMENTS

SOO TOWNSHIP

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2008

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GOVERNMENTAL
ACTIVITIES

=====

ASSETS

Current Assets

Cash and equivalents	\$ 717,868
Due from other funds	19
Due from other governmental unit	28,665
Taxes receivable	1,698

Total Current Assets	\$ 748,250

Non-current Assets

Land, buildings and equipment - net of depreciation	272,267

TOTAL ASSETS	\$1,020,517
	=====

LIABILITIES

Current Liabilities

Accounts payable	\$ 14,487

TOTAL LIABILITIES	\$ 14,487

NET ASSETS

Invested in capital assets	\$ 272,267
Restricted for: Public works	20,666
Public safety	1,960
Unrestricted	711,137

TOTAL NET ASSETS	\$1,006,030
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See accompanying notes to financial statements and independent auditors' report.

SOO TOWNSHIP

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

PROGRAM REVENUES					
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	NET (EXPENSES) REVENUES
			GRANTS	GRANTS	
			AND CONTRI- BUTIONS	AND CONTRI- BUTIONS	
=====					
GOVERNMENTAL ACTIVITIES					
General government	\$114,978	\$15,613	\$ 8,365	\$ -0-	\$ (91,000)
Public safety	141,832	-0-	50,671	-0-	(91,161)
Public works	151,991	-0-	4,547	-0-	(147,444)
Cultural and recreation	300	-0-	-0-	-0-	(300)
Other expenditures	40,693	-0-	-0-	-0-	(40,693)
	-----	-----	-----	-----	-----
TOTAL GOVERNMENTAL ACTIVITIES	\$449,794	\$15,613	\$ 63,583	\$ -0-	\$ (370,598)
	=====	=====	=====	=====	=====
GENERAL REVENUES					
Taxes					175,285
Licenses and permits					200
State shared revenues					181,539
Interest income					29,174
Other revenues					800

TOTAL GENERAL REVENUES					\$ 386,998

CHANGE IN NET ASSETS					\$ 16,400

NET ASSETS - JULY 1, 2007					989,630

NET ASSETS - JUNE 30, 2008					\$1,006,030
					=====

See accompanying notes to financial statements and independent auditors' report.

SOO TOWNSHIP

GOVERNMENTAL FUND BALANCE SHEET

For the year ended June 30, 2008

=====	
	GENERAL FUND
=====	
ASSETS	
Cash and equivalents	\$ 717,868
Due from other funds	19
Due from other governmental units	28,665
Taxes receivable	1,698

TOTAL ASSETS	\$ 748,250
	=====
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 14,487

TOTAL LIABILITIES	\$ 14,487
FUND BALANCE	
Reserved for restricted purposes	\$ 22,626
Unreserved	711,137

TOTAL FUND BALANCE	\$ 733,763
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$930,676, net of accumulated depreciation of \$658,409, are not financial resources and, therefore, are not reported in the fund. See Note 4 for additional detail.	
	272,267

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$1,006,030
	=====

See accompanying notes to financial statements and independent auditors' report.

SOO TOWNSHIP

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE

For the year ended June 30, 2008

		GENERAL FUND
Revenues		
Taxes	\$ 175,285	
Licenses and permits	200	
State grants	4,547	
State shared revenues	181,539	
Contributions from local units	59,036	
Charges for services	14,308	
Interest and rents	30,479	
Other revenue	800	

TOTAL REVENUES	\$ 466,194	
Expenditures		
General government	\$ 103,871	
Public safety	89,405	
Public works	151,991	
Cultural and recreation	300	
Capital outlay	15,972	
Other expenditures	40,693	

TOTAL EXPENDITURES	\$ 402,232	

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 63,962	
FUND BALANCE - JULY 1, 2007	669,801	

FUND BALANCE - JUNE 30, 2008	\$ 733,763	
	=====	

See accompanying notes to financial statements and independent auditors' report.

SOO TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

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Net change in Fund Balance - Governmental Fund                                $ 63,962

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by
which capital outlay of $16,888 was exceeded by depreciation
of $63,534 in the current period.                                             (47,562)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES                             $ 16,400
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See accompanying notes to the financial statements and independent auditors' report.

SOO TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2008

		=====	
		AGENCY FUND TYPE	

	PENSION	TAX COLLECTION	
	FUND TYPE	FUND	
		=====	
ASSETS			
Cash and equivalents	\$103,313	\$ 103	
	=====	=====	
LIABILITIES			
Due to other funds	\$ -0-	\$ 19	
Due to other governmental units	-0-	84	
	-----	-----	
TOTAL LIABILITIES	\$ -0-	\$ 103	
	-----	=====	
NET ASSETS			
Net assets held in trust for pension benefits	\$103,313		
	=====		

See accompanying notes to financial statements and independent auditors' report.

SOO TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2008

	PENSION FUND TYPE
ADDITIONS	
Contributions	\$ 7,393

TOTAL ADDITIONS	\$ 7,393
DEDUCTIONS	
Withdrawals	\$ 43,695
Net unrealized loss on investments	10,310
Administrative expenses	1,753

TOTAL DEDUCTIONS	\$ 55,758
CHANGE IN NET ASSETS	(48,365)
NET ASSETS - JULY 1, 2007	151,678

NET ASSETS - JUNE 30, 2008	\$103,313
	=====

See accompanying notes to financial statements and independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Soo Township conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A - REPORTING ENTITY

Financial Reporting Entity

Soo Township is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and public works.

The Township, for financial purposes, includes all funds relevant to the operations of Soo Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Soo Township.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Soo Township has no business-type activities or separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Soo Township has only the general fund.

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable - Current Property Taxes

The Soo Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Soo Township as of the preceding December 31st.

Although Soo Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is Soo Township's policy to recognize revenue from the current tax levy in the current year.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

The 2007 taxable valuation of Soo Township totaled \$92,734,800, on which ad valorem taxes levied consisted of 1.6083 mills for Township operating purposes. This amount is recognized in the General Fund financial statements as tax revenue.

The Township reports the following major governmental fund:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

Fiduciary Funds - Agency

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Deposits are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowances for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items - All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenue - Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

E - USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control - The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Each May, the Township Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the Township Board level for the General Fund. Any revisions that alter the total expenditures of any fund (i.e., budget amendments) require approval by the Township Board. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the Township Board level.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
	-----	-----	-----
Cash and Cash Equivalents -			
Restricted	\$ 22,626	\$ 103	\$ 22,729
Unrestricted	695,242	-0-	695,242
Investments			
Pension Trust Fund	-0-	103,313	103,313
	-----	-----	-----
Totals	\$717,868	\$103,416	\$821,284
	=====	=====	=====

The breakdown between deposits and investments is as follows:

	Primary Government

Petty cash	\$ 50
Bank deposits - checking	47
Bank deposits - savings	286,597
Certificate of deposits	431,277

Total	\$717,971
	=====

Investments

In accordance with GASB 3 risk disclosure for insurance annuities are non risk categorized.

	Carrying Value	Market Value
	-----	-----
Non risk - Categorized		
Pension Trust Fund		
Insurance annuities	\$103,313	\$103,313
	=====	=====

Soo Township has investments with the Manufacturers Life Insurance for the Defined Contribution Pension Trust Fund which is presented at fair value of the plan assets.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified below.

Credit Risk. The Township has no investments for which ratings are required.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of June 30, 2008 \$431,480 of the Township's bank balance of \$731,527 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated five financial institutions for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized deposits and investments as above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's primary and fiduciary deposits were \$717,921 and the bank balance was \$731,527. Of the bank balance, \$300,047 was covered by federal depository insurance according to FDIC regulations. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

have been covered by federal depository insurance. These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,437	\$ 2,436	\$ -0-	\$ 12,873
Capital assets being depreciated:				
Buildings and improvements	258,467	4,864	-0-	263,331
Machinery and equipment	645,800	8,672	-0-	654,472
	-----	-----	-----	-----
Subtotal	\$904,267	\$ 13,536	\$ -0-	\$917,803
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings and improvements	\$161,527	\$ 7,061	\$ -0-	\$168,588
Machinery and equipment	433,348	56,473	-0-	489,821
	-----	-----	-----	-----
Subtotal	\$594,875	\$ 63,534	\$ -0-	\$658,409
	-----	-----	-----	-----
Net Capital Assets Being Depreciated	\$309,392	\$ (49,998)	\$ -0-	\$259,394
	-----	-----	-----	-----
Governmental Activity Capital Total				
Capital Assets-Net of Depreciation	\$319,829	\$ (47,562)	\$ -0-	\$272,267
	=====	=====	=====	=====

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of primary government as follows:

Governmental Activities:	
General Fund	
General Government	\$11,107
Public Safety - Fire Protection	52,427

Total Governmental Activities	\$63,534
	=====

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2008 is as follows:

Interfund Receivable		Interfund Payable	
-----		-----	
General	\$19	Tax Collection	\$19
	==		==

There were no interfund transfers for the year ended June 30, 2008.

NOTE 6 - RESTRICTED NET ASSETS

The Township received \$4,547 under the Metropolitan Extension Telecommunications Right-of-Way Oversight Act (PA 48 of 2002, MCLS 484.3101 - 3120), also known as the "Metro Act" during the year ended June 30, 2008. This represents the Township's portion of the fees being paid to the state by telecommunication providers for the Right-of-Way used within the Township. This funding is restricted in use to the maintenance of the aforementioned right-of-way. During the year no expenditures have been made for this purpose leaving a balance of \$20,666 as of June 30, 2008.

Also, during a prior year the Township received \$1,960 of Title III project money from Chippewa County for the purpose of a dry hydrant project on Neebish Island. As of June 30, 2008, this money had not been expended.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 7 - LEGAL COMPLIANCE

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act P.A. 2 of 1968 as amended (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Soo Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets for Soo Township for the budgeted funds were adopted to the activity level.

During the year, Soo Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Capital Outlay	\$ 10,586	\$ 15,972	\$ 5,386

NOTE 8 - DISTRIBUTION OF TAX COLLECTION

The Township must remit to the schools and the County total taxes collected through the 1st and 15th day of each month within 10 business days after the 1st and 15th day of each month. In addition, the Township is required to remit within ten business days, at least 90% of the total property tax collections on hand as of February 28 for tax revenues that were collected for other taxing units. During the year ended June 30, 2008, the Township remitted taxes to the schools and the County within the required time periods.

NOTE 9 - DEFINED CONTRIBUTION PLAN

Soo Township maintains a defined contribution plan through Burnham & Flower Agency, Inc. using the Manufacturers Life Insurance Company (USA). The plan name is the Manulife Financial Defined Contribution Pension Plan for Governmental Employees. The plan administrator is the clerk of Soo Township. The plan is a money purchase pension plan also called a defined contribution, individual account plan because contributions to the plan are fixed and the retirement benefit is that which the total amount of contributions and earnings (money) will provide (purchase) for each employee.

Participants in the plan are all elected officials of the Township who have attained age 18 and not more than age 75. Currently there are seven participants in the plan.

The Township Board has a policy that permits the Township to have a defined contribution plan which they can amend. They have designated the clerk as plan administrator.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 9 - DEFINED CONTRIBUTION PLAN (CONTINUED)

Under an amendment to the plan service agreement dated January 12, 2001, monthly payments based upon annual contributions are required instead of an annual payment under the prior plan.

Also, an amendment was made to change the plan entry date to the first month following the participants employment with the Township rather than at the beginning of the next full plan year.

The contributions for the plan year were \$5,413 by Soo Township and \$1,980 by the employees. The Township also paid \$576 for plan administrative expenses during the year.

The funds of the Soo Township defined contribution pension plan are invested in Manulife financial general account at interest rates which are guaranteed if held to maturity. These accounts invest primarily in federal and other governmental bonds, corporate bonds and commercial mortgages and are presented at fair market value.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workmens compensation benefits provided to employees.

The Township participates in the Michigan Township Participating plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. This plan is a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township above the \$100 deductible amount. The Township paid an annual premium of \$21,911 for this plan. The plan has a maximum liability for general liability of \$3,000,000, wrongful acts of \$2,000,000 and automobile liability of \$1,000,000.

Therefore, the Township has no additional liabilities beyond the contribution made to the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official error and omissions liabilities as it is covered by insurance policies or reinsurance treaties obtained by the plan.

In addition, the Township has purchased commercial insurance for workmens compensation benefits.

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 10 - RISK MANAGEMENT (CONTINUED)

Settled claims for the insurance have not exceeded the amount of coverage in the past three years. There was no reduction in coverage obtained through insurance during the past year.

NOTE 11 - CONTINGENT LIABILITIES

The Township has received financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2008.

NOTE 12 - POSTEMPLOYMENT

Other than the pension benefits described in Note 9, Soo Township does not provide any postemployment benefits and, therefore, no accrual has been recorded for these benefits as of June 30, 2008.

NOTE 13 - COMPENSATED ABSENCES

The Township does not have a vacation or a sick leave benefit policy and, therefore, no accrual has been recorded for these benefits as of June 30, 2008.

NOTE 14 - BUDGET AMENDMENTS

Once approved, the Township may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Authorized budget amendments were approved as follows:

FUND	AMOUNT
-----	-----
General Fund	
General Government	
Supervisor	\$ (650)
Treasurer	(575)
Clerk	320
Elections	400
Township hall	1,946
Board of Review	131

SOO TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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NOTE 14 - BUDGET AMENDMENTS (CONTINUED)

FUND	AMOUNT
-----	-----
General Fund	
General Government	
Attorney	(4,000)
Auditor	150
Public Safety	
Fire	(1,463)
Ambulance	22,003
Public Works	
Roads	(1,003)
Capital Outlay	86
Other Expenditures	
Insurance and bonds	1,951
Other	(19,296)

REQUIRED SUPPLEMENTAL INFORMATION

SOO TOWNSHIP

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
BEGINNING OF YEAR FUND BALANCE	\$ 669,801	\$ 669,801	\$ 669,801	\$ -0-
RESOURCES (INFLOWS)				
Taxes	\$ 161,200	\$ 161,200	\$ 175,285	\$ (14,085)
Licenses and permits	-0-	-0-	200	(200)
State grants	4,000	4,000	4,547	(547)
State shared revenue	175,000	175,000	181,539	(6,539)
Contributions from local units	29,350	29,350	59,036	(29,686)
Charges for services	6,700	6,700	14,308	(7,608)
Interest and rents	26,250	26,250	30,479	(4,229)
Other revenue	1,000	1,000	800	200
AMOUNT AVAILABLE FOR APPROPRIATION	\$1,073,301	\$1,073,301	\$1,135,995	\$ (62,694)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government				
Township board	\$ 3,600	\$ 3,600	\$ 3,300	\$ 300
Supervisor	10,496	9,846	9,846	-0-
Treasurer	17,891	17,316	15,306	2,010
Assessor	28,800	28,800	27,334	1,466
Clerk	12,250	12,570	12,181	389
Elections	4,500	4,900	4,874	26
Township hall	14,220	16,166	16,163	3
Board of review	1,175	1,306	1,276	30
Attorney	15,000	11,000	10,191	809
Auditor	3,250	3,400	3,400	-0-
Public Safety				
Fire	11,800	10,337	8,276	2,061
Ambulance	50,000	72,003	70,875	1,128
Planning, zoning and land division	10,660	10,660	10,254	406
Public Works				
Roads	151,000	149,997	149,783	214
Sanitation	1,000	1,000	965	35
Street lights	1,450	1,450	1,243	207
Cultural and Recreation				
Library	300	300	300	-0-
Capital Outlay	10,500	10,586	15,972	(5,386)

See accompanying notes to financial statements and independent auditors' report.

SOO TOWNSHIP

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the year ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Other Expenditures				
Employee benefits	\$ 13,000	\$ 13,000	\$ 11,894	\$ 1,106
Insurance and bonds	25,000	26,951	26,951	-0-
Other	23,658	4,362	1,848	2,514
	-----	-----	-----	-----
TOTAL CHARGES TO APPROPRIATIONS	\$ 409,550	\$ 409,550	\$ 402,232	\$ 7,318
	-----	-----	-----	-----
BUDGETARY FUND BALANCE - JUNE 30	\$ 663,751	\$ 663,751	\$ 733,763	\$ (70,012)
	=====	=====	=====	=====

See accompanying notes to financial statements and independent auditors' report.



GILLETT, HALVORSEN & LEONHARDT, P.C.

Certified Public Accountants

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MEMBER OF THE MICHIGAN
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MEMBER OF THE AMERICAN
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS

December 19, 2008

Township Board
Soo Township
Sault Ste. Marie, Michigan 49783

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Soo Township, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Soo Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Soo Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of Soo Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. The following are the significant deficiencies or material weaknesses findings that we noted during our audit:

Segregation of Duties

Separation of duties between persons who authorize transactions and persons who have control over the related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which the employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with a few employees involved. The careful and consistent oversight provided by the Township Board appears to offset the inability to separate various accounting functions and should be continued. The Township Board maintains monitoring of current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Township Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present, cannot exist.

Financial Statement Preparation

The Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. Soo Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. Historically, Soo Township relied on its independent external auditors to assist in the preparation of the financial statements and footnotes.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Budget

During the current year, expenditures exceeded the amount appropriated in one instance. Therefore, the Township has not complied with P.A. 621 of 1978, Section 18(1), as amended, which states that a local unit of government shall not incur expenditures in excess of the amount appropriated. We recommend that budget categories should not be over expended and that the budget be monitored and amended as necessary during the year.

Cash and Investments

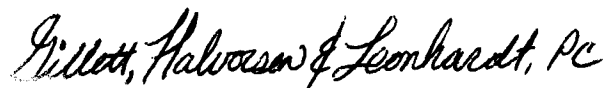
At year end, the Township had \$431,480 in deposits with financial institutions that were uninsured by federal depository insurance. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not have been covered by federal depository insurance. We recommend that the Township insure all funds.

Uniform Chart of Accounts

Soo Township does not record Township financial activity using the uniform chart of accounts as prescribed by the State of Michigan. We recommend Soo Township establish a chart of accounts appropriate for the Township financial activity and maintain its financial records using this chart of accounts accordingly.

This communication is intended solely for the information and use of the management, audit committee, Soo Township Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank Soo Township's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.



Gillett, Halvorsen & Leonhardt, P.C.
Certified Public Accountants



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 19, 2008

Township Board
Soo Township
Sault Ste. Marie, Michigan 49783

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Soo Township for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 26, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you on November 26, 2008.

Significant Accounting Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Soo Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Auditing standards require us to report to you significant audit findings or issues. Following are the significant findings we noted during our audit:

Segregation of Duties

There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Soo Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

Financial Statement Preparation

The Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. Soo Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. Historically, Soo Township relied on its independent external auditors to assist in the preparation of the financial statements and footnotes.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Budget

During the current year, expenditures exceeded the amount appropriated in one instance. Therefore, the Township has not complied with P.A. 621 of 1978, Section 18(1), as amended, which states that a local unit of government shall not incur expenditures in excess of the amount appropriated. We recommend that budget categories should not be over expended and that the budget be monitored and amended as necessary during the year.

Cash and Investments

At year end, the Township had \$431,480 in deposits with financial institutions that were uninsured by federal depository insurance. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not have been covered by federal depository insurance. We recommend that the Township insure all funds.

Uniform Chart of Accounts

Soo Township does not record Township financial activity using the uniform chart of accounts as prescribed by the State of Michigan. We recommend Soo Township establish a chart of accounts appropriate for the Township financial activity and maintain its financial records using this chart of accounts accordingly.

This information is intended solely for the use of Soo Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Gillett, Halvorsen & Leonhardt, PC

Gillett, Halvorsen & Leonhardt, P.C.
Certified Public Accountants